

## Message Text

CONFIDENTIAL

PAGE 01 JAKART 04925 171540Z  
ACTION EA-12

INFO OCT-01 ISO-00 EB-08 SS-15 SP-02 L-03 INR-10 PM-05  
/056 W

-----046529 171620Z /42

P 170735Z APR 78  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC PRIORITY 8174

C O N F I D E N T I A L JAKARTA 4925

STADIS////////////////////////////////

E.O. 11652: GDS  
TAGS: ENRG, ID, OVIP (MONDALE, WALTER F.)  
SUBJECT: IRS PROBLEM

REF: JAKARTA 3658

1. PERTAMINA REPRESENTATIVE GEORGE BENSON RETURNED TO JAKARTA IN EARLY APRIL TO SEEK GOI CLARIFICATION ON FOUR POINTS RAISED BY THE IRS ON THE LONGSTANDING PROBLEM CONCERNING U.S. OIL COMPANIES OPERATING IN INDONESIA. BENSON REPORTS (AND WE HAVE CONFIRMED THIS FROM OTHER SOURCES) THAT THE INITIAL GOI REACTION TO THIS FURTHER REQUEST FOR INFORMATION WAS HIGHLY EMOTIONAL AND NEGATIVE. THE GOI FELT THEY HAD BEEN LED TO BELIEVE THAT A DECISION WOULD BE RENDERED IN JANUARY, AND THEY CANNOT UNDERSTAND WHY, THREE MONTHS LATER, THERE NOT ONLY IS NO DECISION BUT IRS STILL SEEMS TO THEM TO BE DELAYING.

2. OUR SOURCES REPORT THAT DECIDING HOW TO HANDLE THE IRS QUESTIONS HAS RESULTED IN A SERIES OF MEETINGS INVOLVING AT THE VERY TOP LEVEL COORDINATING MINISTER WIDJOJO, MINISTER OF MINING AND ENERGY SUBROTO AND PRESIDENT SUHARTO. GEORGE BENSON BELIEVES THAT REASON HAS PREVAILED AND THAT THE GOI RESPONSE TO THE IRS  
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WILL, AS HE SEES IT, BE RESPONSIVE. THE GOI REPLY HAS BEEN APPROVED IN PRINCIPLE BUT MUST BE RUN THROUGH WIDJOJO AND THE PRESIDENT ONE MORE TIME. ASSUMING FINAL APPROVAL, IT SHOULD BE SENT EARLY THIS WEEK TO INDONESIA'S AMERICAN LAWYERS FOR TRANSMITTAL TO THE IRS THROUGH NATOMAS.

3. DELAYS IN ISSUING THE IRS DECISION HAS BECOME A MAJOR ISSUE IN OUR BILATERAL REALTIONS WITH INDONESIA. INDONESIANS, BEING THE KIND OF PEOPLE THEY ARE, NO LONGER BELIEVE THIS LONG DELAY IS LEGITIMATE -- DESPITE OUR ASSURANCES -- AND THINK WE ARE BY OUR DELAY TRYING TO TELL THEM SOMETHING -- THAT THERE IS SOME POLITICAL OR OTHER OUTSIDE MOTIVE BEHIND OUR ACTION, OR IN THIS CASE LACK OF ACTION.

4. WHILE I CANNOT COMMENT ON THE SUBSTANCE OF THE ISSUES IN DISPUTE, I DO WANT TO ASSURE WASHINGTON THAT IN MY CONSIDERED OPINION THIS MATTER MUST BE RESOLVED PROMPTLY. I STRONGLY URGE THAT THIS BE DONE IF AT ALL POSSIBLE BEFORE THE VICE PRESIDENT'S VISIT SO THAT THIS LONG-STANDING PROBLEM IS OUT OF THE WAY BEFORE HE ARRIVES AND TEMPER HAS COOLED. I WOULD HOPE, HOWEVER, THAT THE VICE PRESIDENT WOULD BE WILLING TO DISCUSS THIS FRANKLY WITH THE PRESIDENT DURING THEIR PRIVATE MEETING AND EXPLAIN TO HIM WHY REACHING A DECISION HAS BEEN DELAYED.

5. I AM SENDING THIS MESSAGE STADIS BUT HOPE THE DEPARTMENT WILL USE IT IN ANY WAY WHICH WOULD BE HELPFUL.  
MASTERS

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DISPUTE SETTLEMENT, PETROLEUM PRODUCTION, BUSINESS FIRMS  
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**Draft Date:** 17 apr 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Review Markings:**  
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